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Supply Chain
Outlook under
the new National
led Government



Supply Chain Risk
Analytics Network



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Executive Summary

Although not the primary purpose, this review includes a short summary of the current risk outlook based on recent events in the Red Sea. The nationwide review encompassing 96 supply chain experts in New Zealand provides an optimistic outlook for the next three to ten years under the current government's policy framework. Over 80% anticipate improved supply chain efficiencies. However, the study highlights significant concerns, including immediate threats such as cyberattacks and escalating costs, as well as long-term anxieties related to geopolitical volatility and potential infrastructure limitations, especially at ports. The vulnerability of the New Zealand supply chain to global economic fluctuations is underscored, emphasising the critical need to address the ongoing skills shortage in the logistics sector. Despite the immediate positivity, reservations exist regarding the long-term impact of the current policy landscape, with practitioners expressing worry about political distractions and disruptions.

Over a three-year horizon participants highlighted several key issues in their comments:

1. **Global Economic Crisis and Unstable Financial Markets:** Participants expressed concerns about the slow resolution of the global economic crisis and ongoing financial market instability, particularly in areas of consumption.
2. **International Conflicts and Threats to the Rules-Based Order:** Anticipated difficulties in negotiating free and fair trade due to potential international conflicts were mentioned, with possible impacts on trade routes and goods under sanction or blockades.
3. **Technology Developments and Strategic Supplier Relationship Management:** Positive expectations were noted regarding the potential ease of doing business and increased leverage from contract relationships, driven by technological advancements and greater attention to strategic supplier relationship management.
4. **Supply Chain Staff Shortages:** While acknowledging ongoing supply chain staff shortages, participants believe that organizations will address this by strengthening relationships with strategic supply chain partners.
5. **New Zealand Port Challenges:** Concerns were raised about rising port charges in New Zealand, declining port productivity, and the potential negative impact on the country's international standing as a stable shipping destination.
6. **Impact of International Influences:** Participants suggested that international influences on supply chains would have a greater impact than government policy in the next three years.
7. **Exports and Demand Dynamics:** The expectation of an increase in exports from New Zealand, especially with China's improving economy and demand from Generation Z, was highlighted. However, concerns about higher costs for holding and storing inventory were noted.
8. **Regulatory and Environmental Concerns:** Some participants expressed concerns about decreased regulation at the raw resource level leading to increased environmental degradation and potential negative impacts on wealth distribution.
9. **Government Policy and Infrastructure Strategy:** Comments indicated uncertainty and a lack of clarity in government policy, potential distractions, and challenges in infrastructure and supply chain strategy.
10. **Labour Conditions and Pay Rates:** Expectations of worsening labour conditions and pay rates in warehousing under the new government, leading to challenges in the supply chain workforce and potential migration of skilled workers to Australia, were emphasized.
11. **Dependency on Foreign Shipping Companies:** A participant from the container shipping industry highlighted the vulnerability of New Zealand's system, relying heavily on foreign shipping companies for connectivity, and emphasised the need for neutral expertise and an overall strategy across the supply chain.

On a ten-year horizon participants highlighted several key issues in their comments:

1. **Red Tape Reduction and Regulatory Changes:** While there is an acknowledgment that reducing red tape and burdensome regulations may improve facilitation and access post-COVID, there is scepticism about the new policies promoting innovation or strong strategic thinking.
2. **Supply Chain Costs and Labour Shortage:** Anticipations include increasing supply chain costs, a persistent shortage of skilled labour, and concerns about the deteriorating transport infrastructure in NZ.
3. **Government Policy Settings and Supply Chains:** Some participants expressed the view that government policy settings, both positive and negative, may not have a direct or tangible impact on supply chains over the next ten years.
4. **Concerns about Government Focus and Confidence:** Criticisms were voiced regarding the government's focus on divisive policies and changes, potentially leading to a lack of united nationhood, increased local disruption, and a lack of confidence and investment flow.

Red Sea Crisis

Prior to reporting on participants' views concerning the next 3 to 10 years, it is worth noting that this review was carried out shortly before shipping lines decided to pause operations in the Red Sea. A very brief risk outlook on the Red Sea situation is summarised below:

- Expect more delays and higher shipping rates.
- Expect large international ports (e.g. Singapore) to experience some disruptions while adjusting to a new normal.
- Expect uncertainty to the exact time (and operating conditions) under which the Red Sea pause will be relaxed.
- Expect some customer and supplier behaviour that may impact on service (e.g. prioritising key customers, building up of safety stock).
- Shipping line uncertainties include (1) sailing through regions that experience more severe weather with ships that were not necessarily designed for those conditions, and (2) higher demands for bunker fuel while a key resource in the Red Sea (Jeddah) is not accessible.

Participant Outlooks of New Zealand Supply Chains over the next three to ten years

A nationwide review across 96 supply chain experts across New Zealand has shed light on their expectations for the next three to ten years under the current government's policy framework. Notably, over 80% anticipate smoother-running supply chains compared to recent years, offering a positive outlook for the immediate future. However, the respondents also flagged key risks that merit attention. Cyberattacks and rising costs emerge as the most immediate concerns, while longer-term anxieties revolve around geopolitical volatility and potential infrastructure limitations, particularly at port facilities. AI supported Cyberattacks are also flagged as a future risk. The survey further underscores the New Zealand supply chain's vulnerability to global economic fluctuations, highlighting the critical need to address the ongoing skills shortage within the logistics sector.

Concerns arise over policy continuity and distraction in NZ supply chains: While the review reveals optimism for smoother supply chains in the immediate future, some experts expressed reservations about the long-term impact of the current policy landscape. Participants worry that non-supply chain related policies may overwhelm the political landscape and divert attention. Additionally, voices from the industry point to the possibility of disruptions in effective policy implementation due to opposition tactics. The uncertainty on whether this will be a single-term government, with the potential for a complete shift in policy direction under a new administration, further fuels anxieties about investor confidence and the feasibility of building on long-term strategies.

OVER THE NEXT 3 YEARS I EXPECT OUR SUPPLY CHAINS IN GENERAL TO...

■ ...run far smoother than now. ■ ...run somewhat smoother than now.
 ■ ...run somewhat worse than now. ■ ...run far worse than now.

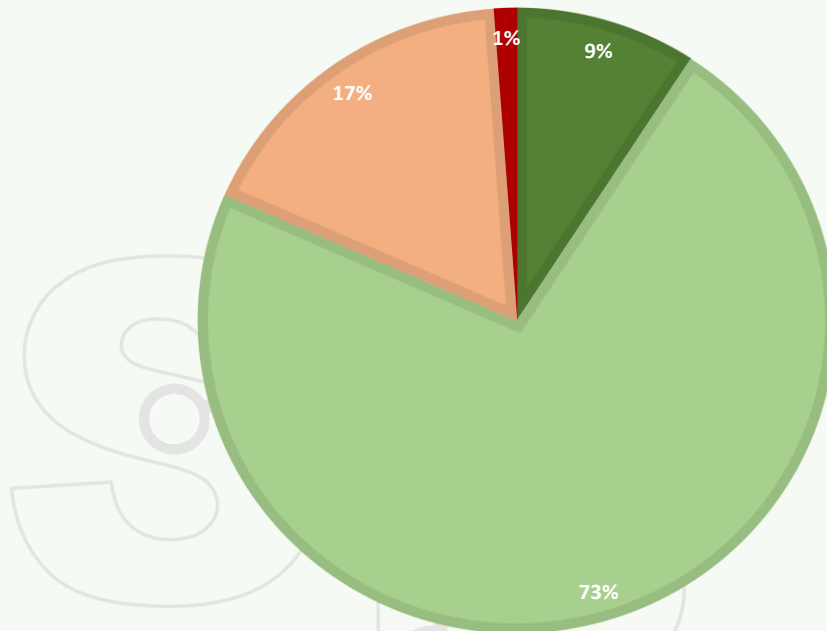


Figure: The percentage of supply chain practitioners who foresee better or worse supply chain performances over the next 3 years.

Table: The percentage of participants who anticipate the following issues to decline, remain stable or increase over the next three years.

		Stay at current level	Decrease	Consolidated Opinion Index
Cyber attacks	78.5%	20.4%	1.1%	77.4%
Inventory carrying cost	58.2%	24.2%	17.6%	40.7%
Import volumes	53.2%	34.0%	12.8%	40.4%
Strength of supply chain	47.3%	45.2%	7.5%	39.8%
Export volumes	51.6%	35.5%	12.9%	38.7%
Supply chain staff shortages	50.5%	28.4%	21.1%	29.5%
Emergencies / Firefighting	35.9%	54.3%	9.8%	26.1%
Challenges in shipping	40.4%	39.4%	20.2%	20.2%
Financial weaknesses	35.1%	38.3%	26.6%	8.5%
Stockouts	23.6%	52.8%	23.6%	0.0%
Supply chain congestion	34.7%	29.5%	35.8%	-1.1%
Regulatory constraints	25.3%	35.8%	38.9%	-13.7%

The word cloud below depicts the most frequently mentioned drivers that are likely to influence New Zealand's supply chains over the next three years.



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Comments by Industry Practitioners on the next THREE years

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The global economic crisis is slow in resolving and financial markets are still unstable in many areas of consumption. International conflict and threat to the Rules based order could present difficulties for negotiating free and fairly and trade routes could be impacted by escalating conflicts, along with goods under sanction or impeded by blockades. However, developments in technology and increasing attention to strategic supplier relationship management is likely to make it easier to do business and leverage more from contract relationships.

Supply chain staff shortages will remain, but most organisations will effectively address this by strengthening relationships with by now identified strategic supply chain partners.

New Zealand Port company charges continue to increase (well above inflation) as councils are forced to squeeze their CCOs to increase revenue in order to pay for other local infrastructure. Meanwhile, NZ port productivity is declining at an alarming rate and is currently worse than

during the peak of the COVID pandemic. This poses a serious risk to NZ internationally as a country reliant on stable shipping services. Shipping lines will likely deemphasize NZ as destination in their schedules because they cannot continue to have their ships (assets) tied up for extended periods on the NZ coast and continue to pay higher port charges for worsening service levels. Shipping lines may cut services even further or may stop further service enhancements.

I think the international influences on our supply chains will have a greater impact than government policy in the next 3 years.

A lot of our exports are driven by overseas economy and while China may struggle, it is a huge country and our exports go to middle to higher class, so not an issue. We are going to see an increase in aircrafts coming to NZ, reducing air cargo prices and able to diversify exports weather is supposed to be favourable and crops good this year as the winter was rather cold (horticulture). Livestock may go out again per ship and being an expert



in livestock movement, it is not a bad idea, but the supply chain is not optimised nor are the vessels.

Challenges in ports may come from iwi blocking third birth at POT and Wayne Brown wanting to lease POAL, so increasing costs. The current situation with Iwi is a bit like war zone at the moment... something that could put a lot of effort of the new government on hold. While I am confident of a number of people, I believe the opposition is going to make life difficult and block a lot of projects... so external specialists should support the MPs.

With China's economy improving and more demand from Generation Z, exports from New Zealand can rise. This may mean higher costs for holding and storing inventory because of higher expenses for capital, storage, and transport. Financially, this can be a strain. Also, there is a constant risk of cyber-attacks, which means spending more on security. And it's still hard to find skilled supply chain persons, which is an ongoing issue.

Red tape will hopefully ease and reduce compliance costs. Expect increasing rate of change and volatility in global financial systems. Expect increasing volatility and change in environmental and weather events. Expect changing regional supplier and network relationships and partnerships. There is a lack of clarity and direction in supply chain and infrastructure strategy.

While the government is stating it will reduce compliance costs in areas like the RMA etc. the funding will need to come from somewhere so at the end of the day the cost will just be moved. In terms of shipping NZ is a small and weak player, we are, and will remain at the mercy of the global market trends."

Less regulation at raw resource level. Unfortunately, this will lead to increased environmental degradation and an increase in wealth for the current wealthy associated with a decrease in wealth for less well off in society. We will also see increased levels of labour exploitation.

The new govt will give agriculture and private sector more certainty on direction with more emphasis on strengthening and improving trade with current and new partners particularly India and USA.

Next three years little around policy will be able to change and have a meaningful effect.

From my experience at [Company XYZ] we are expecting major changes to happen into our supply chain models across the country which will be much more effective and efficient. Most of the companies have started to remodel their supply chains in order to be more effective, this will lead towards more development in areas such as infrastructure, transport etc..

Conflicts around the world and natural disasters tend to keep happening and impacting supply chain / shipping industries. Additionally, the new government won't be able to place any improvement actions too soon to help out operations at the ports, airports, depots in NZ.

I am seeing a weakness, lack of willingness to confront core issues. And slowness in letting go of traditional sole source dependency relationships. The professionals in SC discipline are stretched and they are not engaged sufficiently to enable step changes. Some companies shine, particularly in retail. But some of the public sector systems lack that vision and indeed engagement of new thinking with staff shifting across the sector, rather than new talent and thinking being sought. With the stated policies of 6.5% cost reduction in the sector I can't see supply chain step changes emerging in this term of office in NZ.

Short term gains over long term pain. This will become evident through the lack of holistic logistic infrastructure expertise/investment/supply chain/lack of investment in cyber safety etc..

Currently the lack / shortage of skilled staff in the supply chain space adds to both additional inventory stock as well as additional costs (transport + warehousing) to compensate for lack of experience.

Our national infrastructure in terms of roading is falling apart and poses massive risk to a continuous balanced supply chain. We are not competitive and should keep all of our carbon offsets available for NZ based countries. Stop selling our carbon offsets to overseas countries.

We have limited options with services calling NZ, and as global demand changes, we bear the brunt of the decisions. Service routes mean we are vulnerable to situations in other ports e.g. port strikes, port omissions, congestion. Smaller companies are impacted by decisions of larger exporters and shipping lines. We need to maintain a selection of shipping lines calling NZ including where they ship to. We don't want to end up with our product having to be shipped via Australia as a transshipment hub. We have vulnerability in our port's as seen over COVID. There is a heavy burden on Tauranga, and congestion there leads to vessel's being delayed or omitting the port. Firefighting comes from the short notice of vessels changes, delays, lack of equipment. As an exporting country, I believe COVID has shown us how vulnerable we are to product in and out of NZ.

I expect the new government will focus more on economic management and economic development which will result in increased commercial activity and trade thus adding to supply chain load and complexity. On top of this will be the ongoing world turbulence and unexpected high impact events.

Many of the attributes are not something that can be influenced by the government. The ones that are, such as immigration or migration will see New Zealand most likely having a reduced supply chain skillset of resource available due to our experienced operators leaving.

I expect labour conditions and pay rates in warehousing to worsen under this government, causing the already strained and limited supply chain workforce to seek jobs in Australia where they face: lower competition, higher

pay, and better work conditions. 3PL will be hit by the labour crunch, and compounded by high rents, have no option but to increase rates causing further tension with clients. Cash-strapped customers will run back to low-cost operators only to be disappointed when problems arise with no systems in place and no money in budget to remediate. Considering how the immigration flows look, I can see rates in the labour market reducing significantly as an influx of unskilled workers hit NZ shores looking for work, causing experienced, 'good workers', heading overseas where pay is high and competition low. Accounting will love the cheap labour, whereas Ops will suffer with staff who don't understand the nuances of the NZ supply chain. In addition, the rollback to RMA 1.0 will allow for a further consolidation of power (and land) in the industrial property market to the hands of ultra-high net worths & institutional investors who can afford to land bank. While there is a run on institutional to dispose of junky, sweated, assets, this will change when

the Reserve Bank's mandate allows them to lower interest rates and kick-off a potential feeding frenzy of those with capital leveraging strong positions over anyone who purchased in the high-rate environment.

I work in container shipping and seeing nearly everyone missing the real problem in NZ. NZ is nation of islands solely relying on foreign shipping companies to stay connected. All business basically relying on foreign ship owners being nice and keeping NZ in their service loops.

The whole NZ system (roading, shipping, ports, stevedores, H&S, etc.. is under immense strain and needs 'assistance' We are lacking all-round, neutral expertise across the supply chain - with so many different parts and differences across regions along with the challenges faced around the world, there is no one overview or strategy.

Comments by Industry Practitioners on the next TEN years

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At best, reducing red tape and overly burdensome regulations may improve facilitation and access to allow things to be done more easily and increase the speed of recovery post COVID, but I don't see much in the new policies that points to innovation or strong strategic thinking. It will remain to be seen if individual ministers can drive productivity in their portfolio areas, particularly if they are having to operate with tight budgets and resources. Inexperience across some key portfolios may make this a tough ask. Removing government funding from some sectors before securing alternative sources, such as PPPs or foreign investment for example, could result in a drop off in productivity before financial relationships are established and/or mature enough to meet needs.

This government's transport policy will increase congestion and market drivers will slow "new" developments I see road-based logistics slowing down due to traffic congestion around ports. Esp with less investment in improvements to rail.

Key takeaways of New Zealand supply chains under the new government:

1. Resilience & diversification: Expect a focus on reducing reliance on single sources and building robust systems to withstand disruptions. This may involve diversifying trade partnerships, supporting local suppliers, and investing in technology for better risk management.

2. Tech-powered efficiency: Look for increased investment in automation, data analytics, and AI to optimise logistics and transparency across the supply chain. Regulations may likely adapt to address ethical considerations and potential job displacement.

3. Going green: The government's net-zero carbon goal will push for cleaner transportation, renewable energy for logistics, and circular economy practices like reuse and repair. Businesses adopting sustainable models may be supported.

4. Geopolitical pragmatism: Expect a balancing act between maintaining global trade ties and protecting national interests. This may involve diversifying partnerships, strengthening domestic production, and reviewing existing trade agreements carefully.

5. Collaboration is key: Successfully implementing these changes will require close cooperation between the government, businesses, and communities. Upskilling the workforce, addressing labour issues, and ensuring equitable opportunities will be necessary.

Supply chain costs are going to continue to increase and (capable) labour will remain in short supply. The deteriorating transport infrastructure in NZ will not see any miraculous recovery. All we can hope for is an arrest of the rate of deterioration. Fuel cost and CO2 emissions will continue to plague the country. Increased

polarisation between wealthy and those less well off. We will see increased use of labour from overseas as it will be perceived as cheaper than NA sourced labour. The lack of regulation will only have short term gains, as environmental issues may well limit access to high value markets.

The optimist in me wants to say yes. There is a very long tail between government policy settings and tangible impacts on the business of supply chain management. I don't see any government policy settings under the new government having a direct or tangible impact (positive or negative) on our supply chains over the next 3 years. However, the global disruptive events over the past 3 years have brought to light the strategic importance of supply chain resilience for the day-to-day functioning of New Zealand society (imports) and the prosperity of New Zealand's economy (Exports). Therefore, given the current governments policy settings combined with the global landscape, we should see more freedom of trade put increased pressure on the capacity of our logistics infrastructure networks (ports/rail/shipping) therefore contributing to the currently price increases and congestion.

Along with the current inflation and the new policies it may be financially not sound but with regards to development of the supply chain in NZ, this will be a huge benefit since most companies are remodelling their supply chain models by looking at how they performed during the pandemic, inflation etc.. and addressing the areas which could be developed so that they can ensure a seamless process within the supply chain. There have been several innovative solutions that have been

released to the world (foldable empty containers, automation etc), hence, I would say there will be a positive trend on the supply chain in the next upcoming years.

I think that their focus on dropping te reo signage, changing anti-smoking legislation and clearly divisive policies will result in a lack of that united nationhood they are seeking and claiming and will result in increased local disruption. There will be no increased confidence and resultant lack of investment flowing through to stagnation rather than growth. Supply chains will be stretched as population grows, the marginalised NZ population increases and workforce is not there, but neither is the investment in automation to drive SC efficiencies. I am not at all confident, despite my vote.

If the money does get invested into key roading projects, then the movement of freight should see some improvement. Infrastructure is key. Significant roads are committed to, rail is the elephant in the room from my perspective.

Although we will see changes and a more robust platform laid for the future in the next 3 years, in my opinion it is not a long enough term to embed a sustainable change. Therefore unless this government remains for a second term there will be limited shape they can add to the full 10 years. In the interim, I think there will be a continued focus on Fair Trade Agreements as that is a natural option for all governments to take. I do think with NZ First's influence there will also be a significant drive towards NZ produced/sourced options.

Participant Information

Participant years' experience

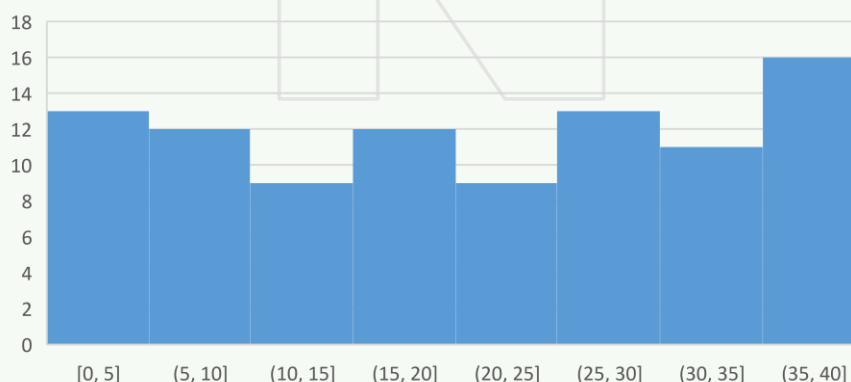
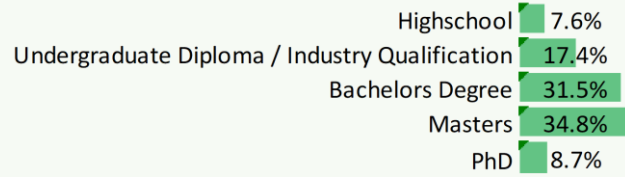
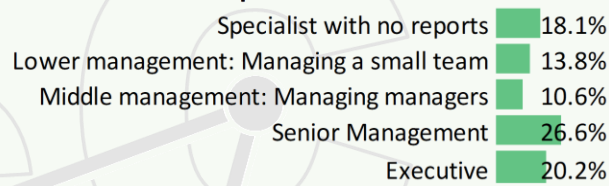


Figure: Participant number of years' experience

Participant Highest Qualifications

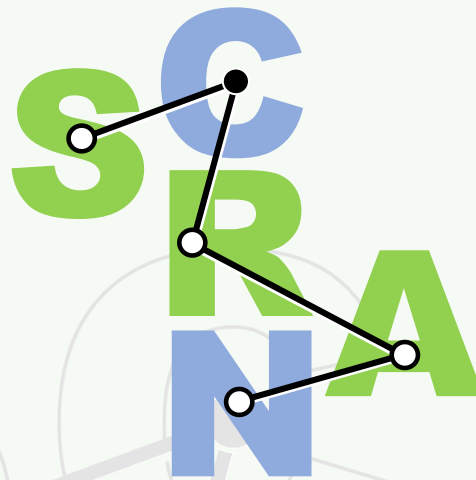


Participant Roles



Final question: If we were to expand skills development, which of the following initiatives will yield good results and create the most value for supply chains in Aotearoa?

	More formal education (Uni / Polytech)	More Internships / Workplace training	Develop more targeted short courses	More Mentorship Programmes
Huge opportunities to mature the industry	28.7%	40.9%	26.9%	36.6%
This can be quite valuable	30.9%	39.8%	46.2%	40.9%
Some real-world impact	35.1%	16.1%	19.4%	20.4%
Very little real-world impact	5.3%	3.2%	7.5%	2.2%
FINAL SCORE:	42.6%	98.9%	65.6%	89.2%



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